FOCUS NRN

THE READY-TO-EAT REVOLUTION

Lifestyle changes fuel market keyed to 'convenience'

Claiming her daughter has no concept of the word "roast," a busy supermarket executive says she is thinking of turning her kitchen into a den.

* * *

A lawyer says the only things she stocks in her refrigerator are "liquids." All her meals are eaten out or purchased in carry-out sections of food stores or restaurants.

* * *

Too "drained and exhausted" after a day at the office, a young manager says: "Who has time to cook? All I want to do is order a pizza and watch some video tapes." Most nights he does just that.

By Marilyn Alva

Lifestyle changes centered around the words "busy" and "involved" by people of all age groups and occupations are fueling the growth of an entirely new food-service category keyed to convenience: the ready-to-eat food market.

Americans are finding there is simply no time or energy left to cook a meal after all the work, personal improvement, and social activities of a typical "New Age" day.

The likely cast of characters includes working women, two-income households with or without children, single parents, and singles. They see themselves as modern, career-oriented, and sophisticated. They admit to being big spenders, impulsive, and self-indulgent.

When those pressured people do get back to the sanctity of their homes, complete with microwaves and VCRs, the last thing they want to do is prepare a meal. They are suddenly transformed into "coach potatoes."

As a consequence, off-premises consumption of ready-to-eat foods is accounting for the largest incremental growth rates in the restaurant industry today. Indeed, it represents some 44 percent of all customer traffic.

"It's what's driving the industry," says George Rice, president of GDR/CREST Enterprises in Park Ridge, Ill.

Take-out competes with cooking

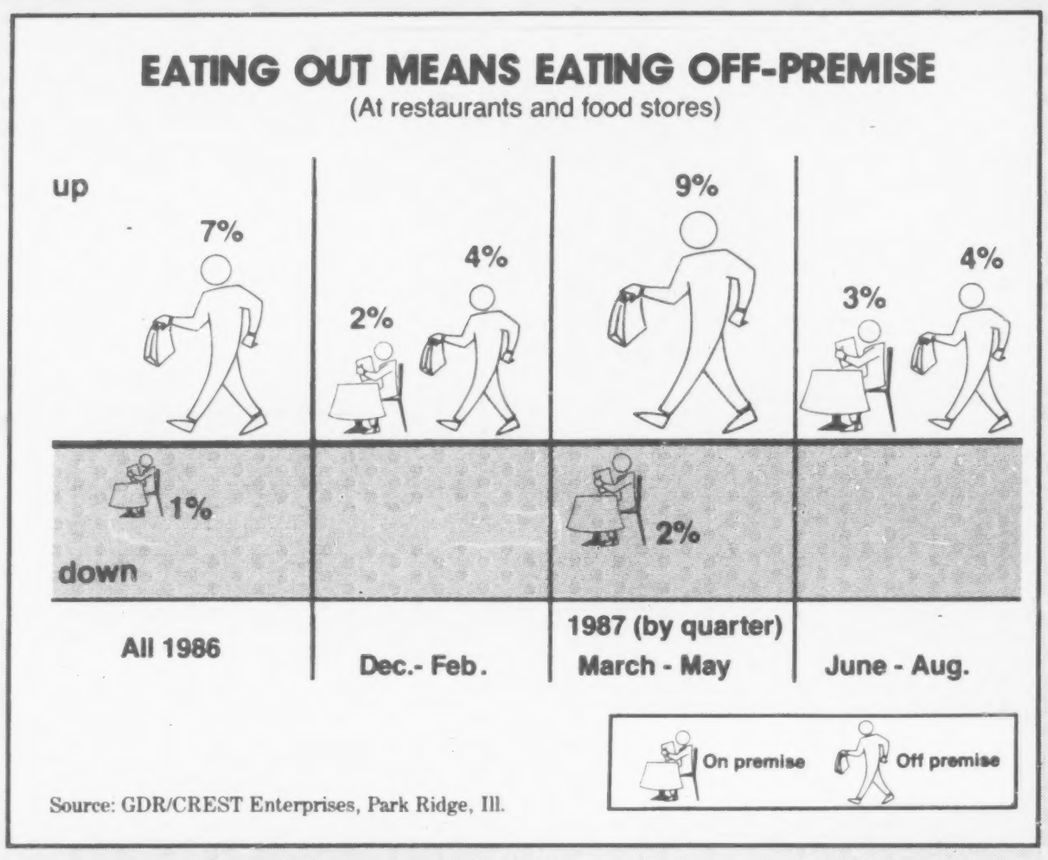
The increase in off-premises eating has had minimal impact on on-premises dining, according to industry sources. People are still eating out; individual in-store sales are more likely to be down because of oversaturation, they say.

"Take-out food buying is instead of cooking, not instead of restaurants," says Clark Wolf, a food and restaurant consultant based in New York. "If anyone should feel threatened, it's the grocery stores."

When questioned about grocery store sales, one supermarket executive in the Northeast comments dryly, "Sacks of flour are down."

About two-thirds of the dollars

*(See **TAKE-OUT**, page F4)*



Source: GDR/CREST Enterprises, Park Ridge, Ill.

Off-premises consumption is still rising

Off-premises consumption of prepared foods has shown consistent increases over the last two years, while on-premises consumption has been relatively flat. As GDR/CREST Enterprises statistics indicate, the off-premises segment has been the dominant force in the food-service business.

For the first three quarters of last year, for example, off-premises consumption increased from 4 percent to 9 percent, while on-premises dining was down 2 percent one quarter and up only 2 percent and 3 percent in others.

In 1986 off-premises dining was up 7 percent, while in-store consumption was down 1 percent.

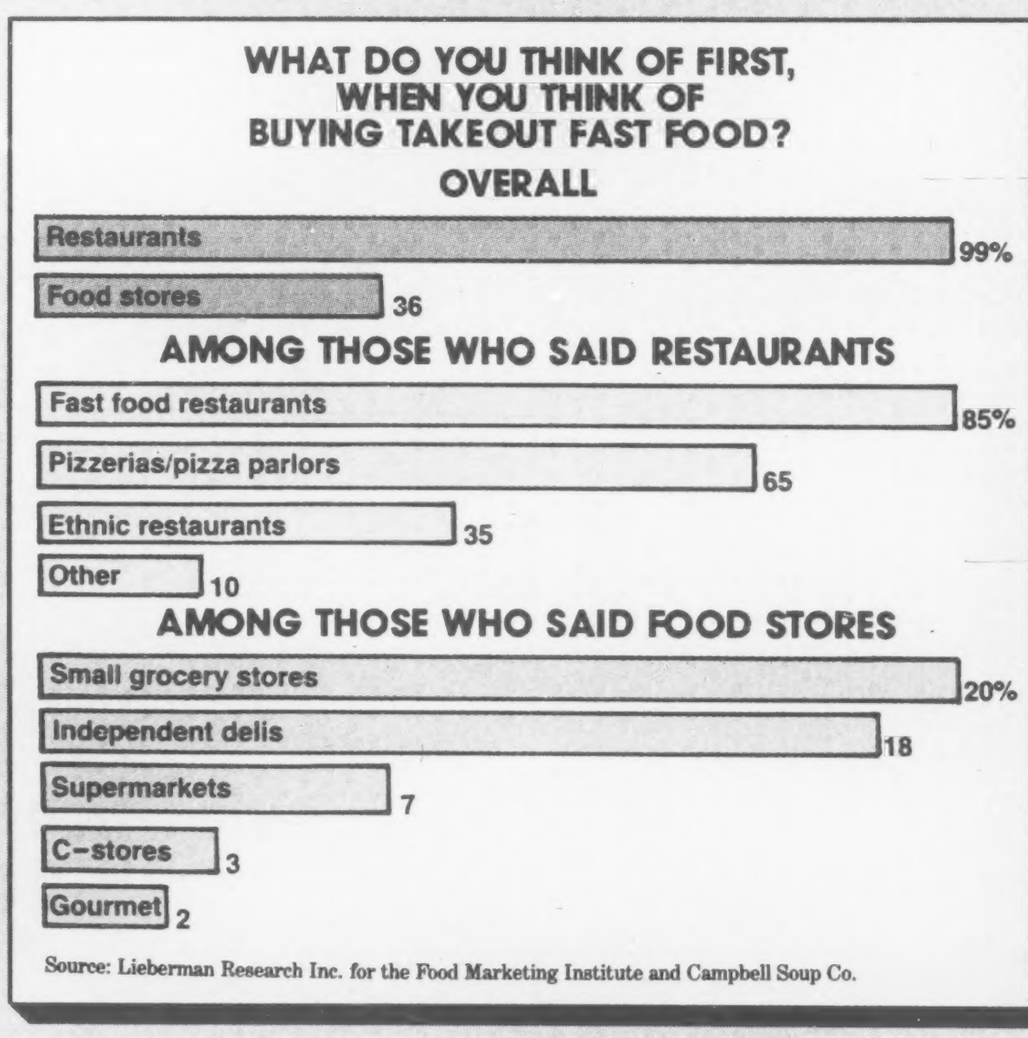
Restaurants lead survey on takeout

When people think of places to buy take-out food, only one-third mention food stores. But almost all consumers mention restaurants, according to a survey conducted by Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.

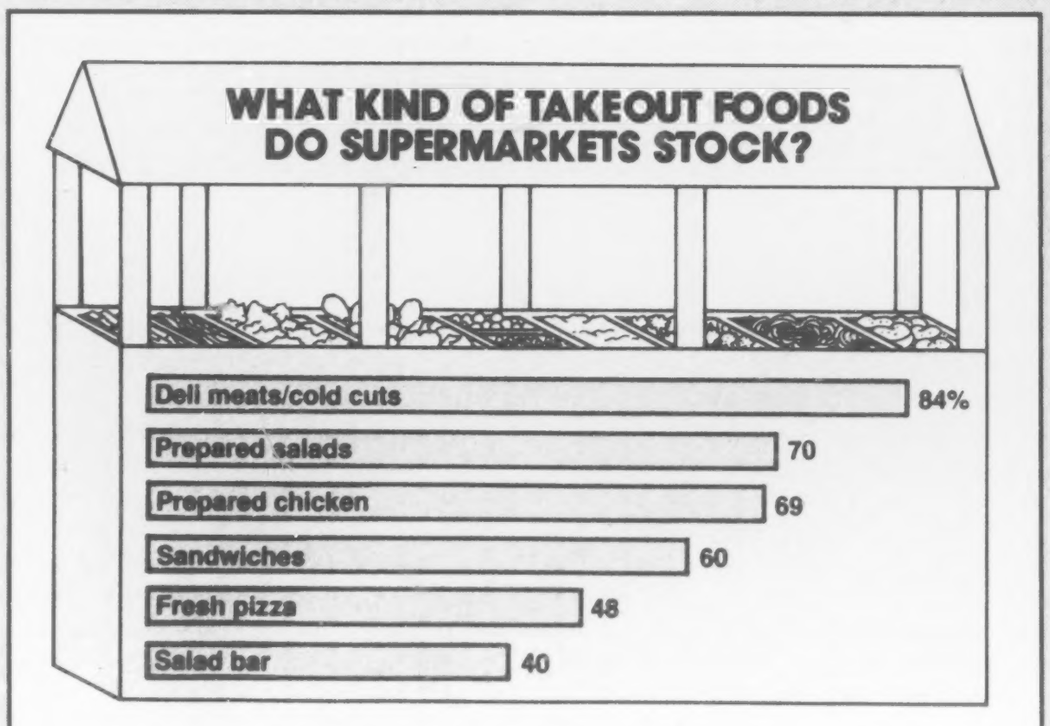
And among those who named food stores as a place where they shop, only 18 percent cited supermarkets as a place to buy take-out food, while even smaller numbers mentioned convenience stores (7 percent) and gourmet stores (2 percent).

Of those who said they get take-out food in restaurants, 85 percent said fast-food restaurants came to mind, followed by pizza places (65 percent) and ethnic restaurants (35 percent).

The report concluded that food stores, including supermarkets, have "a marked awareness problem."



Source: Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.



Source: Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.

Cold is hot in supermarket takeout section

Although consumers report that their supermarkets carry both hot and cold take-out foods, they believe there is a greater variety of cold foods, according to research conducted for the Food Marketing Institute and Campbell Soup Co.

Consumers, when asked about take-out food shopping, say supermarkets most often carry deli meats and cold cuts, followed by prepared chicken, prepared salads, and sandwiches.

Only a small percentage of supermarkets were said to carry such items as Chinese food, hamburgers, and Mexican fare.

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Helmut Bosch is the chef/manager at Harvest Express, a take-out delivery store built inside the Harvest Restaurant in Cambridge, Mass.

THE TAKE-OUT REVOLUTION

(Continued form page F3)

spent on take-out food is spent at restaurants. Fast-food places naturally account for the biggest traffic counts, followed by pizza parlors, ethnic restaurants, and food stores. Delivery is still a small but fast-growing segment.

Not a threat but an opportunity

If anything, restaurants should be viewing the trend to off-premises dining, not as a threat, but as an opportunity. And as Wolf says, "Everybody is adapting."

Here's a typical example. In the Boston area Harvest Restaurants started a Harvest Express take-out and delivery store three months ago in what used to be a small dining room of its Cambridge restaurant. One can purchase everything from quick, on-the-road sandwiches to cassoulet of lamb and pork for two to four people. The store is doing splendidly.

Take-out is being offered by a growing number of upscale restaurants across the country, including such notables as the Quilted Giraffe in New York, Richard Perry's in St. Louis, and Caioti in Los Angeles.

Recently a new service segment has emerged—home delivery brokers. It provides independent restaurant operators home delivery systems, from phone-in ordering services, packaging, and advertising to driver and transportation provisions.

Among the delivery brokers are EatOutIn in Austin, Texas, one of the first; Restaurant Express in Newport Beach, Calif.; Waiters on Wheels in San Francisco; and Restaurant Runners in Lakewood, Colo.

On the East Coast, more and more companies are offering to deliver fully prepared meals cooked by their own staffs.

Dining In of Silver Spring, Md., has ready-to-heat multicourse meals. In Washington, D.C., Main Course prepares organically grown foods to interested clients, with delivery available on Sundays. Cook No More! is another Washington firm that delivers full-course meals, and FoodTemps, a year-old company, actually supplies trained chefs to cook meals at customers' homes.

In the fast-food category, carry-out and drive-thru components are already a built-in and significant aspect of the business. Pizza chains, such as Domino's and Little Caesar, are faring especially well with their delivery-only and carry-out concepts. Now Pizza Hut is rushing in a systemwide delivery system to keep competitive.

Fast food gets faster

Fast-food chains are looking at better ways to target the insatiable demand for ready-to-eat foods as other players, such as restaurants and supermarkets, enter the market.

They must realize that of all the restaurant categories, fast food could actually stand to lose some share of the ready-to-eat market to other restaurant players whose fare is perceived to be of better quality and more healthful.

But fast feeders are generally thought to be enough like chameleons to adapt to the changing food environment. As Clark Wolf says,

*(See **TAKE-OUT**, page F7)*

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TAKE-OUT

(Continued from page F4)

"The fast-food sector is able to be so quickly responsive to major trends that they can certainly hold their own."

McDonald's responded last year by introducing prepackaged salads, which is widely considered a successful addition to its menu and something that will likely have staying power.

Retailers are being undermined

If off-premises eating has not hurt the eat-in restaurant industry, it has, however, been undermining the retail trade, such as convenience stores and supermarkets, which have been scrambling to expand and improve their ready-to-eat fresh foods sections.

"It's eating into the convenience foods of supermarkets. It's going right at the packaged goods manufacturers who make convenience foods," Rice says. He notes that grocery and convenience stores still account for "a very small part" of the ready-to-eat market.

Beyond the wildly expansive and now flat frozen-main-meals category, supermarkets are fighting back with all kinds of prepared foods that are increasingly looking like what is served at some of America's finest restaurants.

Kings Supermarkets in New Jersey has hired young chefs from the Culinary Institute of America to prepare restaurant-quality foods for the prepared-foods section of three stores, one of which has an open kitchen.

More than 180 dishes have been developed by the chefs, from glazed ducks and stuffed fish to mousses and creme d'laits. Some 30 to 40 selections are available every day.

Gelson's sells espresso, cappuccino

Gelson's in California sells espresso and cappuccino in affluent neighborhoods and, if customers call in advance, will provide complete gourmet meals to go in stylish packages. "The package itself is a statement," says a food consultant familiar with the program.

Dillon's, a division of Kroger's, has 65 different cold meats and 125 cheeses, a hot-case menu that changes daily, and baked pizzas as well. At least one California Safeway has a sushi bar. The new Kroger "superstore" that opened recently in Memphis, Tenn., will have not only a combination deli-bakery with ready-to-eat entrées but also a full-service restaurant called Barney's Cafe.

Besides having a full bakery and standard deli department, Washington, D.C.-based Giant Food sells expensive wines and specialty foods, such as rattlesnake meat, in its gourmet foods section.

Home delivery is also increasing among supermarkets in a number of neighborhoods.

Delis on the rise

Deli departments are the fastest-growing areas of the supermarket; total supermarket take-out sales are estimated at about $14.4 billion a year, with gross profit margins of 27 percent.

Supermarkets in the year 2000 will have many different deli stations with fresh-prepared foods with global appeal and maître d's that will hand incoming customers "a menu of exciting selections," predicts Phil Lempert, a food marketing executive in Belleville, N.J. He recently chaired a seminar on "How Baby Boomers are Changing the Supermarket."

As he puts it, "Today McDonald's is the competitor; tomorrow the Four Seasons."

Convenience stores have also stepped up their presence in high-margin take-out foods in recent years with such items as fresh sandwiches, pizzas, fried chicken, fountain drinks, and, most recently, joint ventures with fast-food chains.

Joint ventures are abandoned

But joint ventures, such as 7-Eleven's experiment with Hardee's and Church's, have not proved very successful; industry observers doubted the volume was ever there. The chain has since abandoned the test.

The nature of convenience stores could also limit the rollout of more sophisticated types of take-out foods that require on-premises preparations.

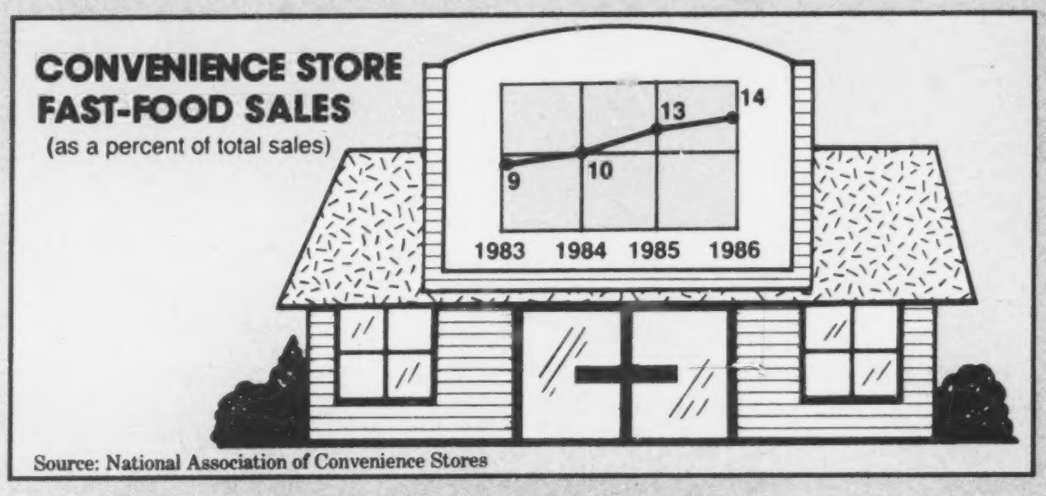
"Convenience store people are wonderful merchandisers; they can sell almost anything out of their stores," says Al Wrisley, a longtime consultant to the convenience store industry and a professor of hotel and restaurant administration at the University of Massachusetts.

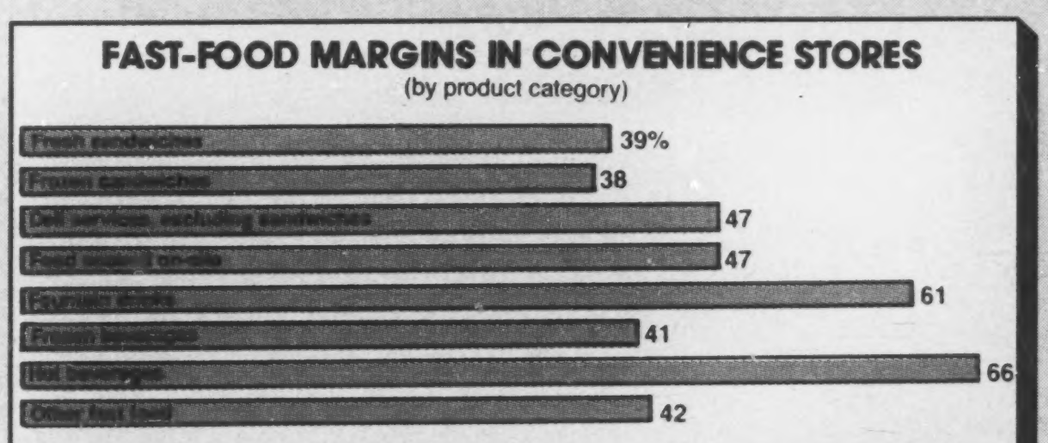
"But they're basically used to selling what other people produce. When they get into frying chickens, they become producers, and that requires more labor, supervision, and food service knowledge," Wrisley adds.

Not all convenience stores can make the adjustment, he explains. "You're going to see companies getting into it and out of it. For others, it won't be their cup of tea."

To whatever degree convenience stores do get into the ready-to-eat market, they have an advantage for being close to home, for being convenient. They will naturally pick up some of the on-the-move population that no longer cooks regularly.

"The growth of ready-to-eat should benefit all sectors," says Wrisley. "Everybody likes to think of this in competitive terms, but I don't think it will put anybody out of business."





Fast-food sales at C-stores up 23 percent

Fast-food sales for the nation's 64,000 convenience stores in 1986 were up 23 percent, to $5.2 billion, accounting for 14 percent of total revenues, according to the latest figures available from the National Association of Convenience Stores' 1987 industry report.

Fountain drinks accounted for the largest sales in the food-service category, with 3.6 percent of non-gas purchases. Deli services, excluding sandwiches, were 3.3 percent of total sales, and hot beverages were 2.7 percent.

Fast food continued to reap big profit margins. Fresh sandwiches, for example, had profit margins of 39 percent; deli services, 47 percent; and hot beverages 66 percent.

In contrast, bread and cakes had margins of 29 percent; tobacco, 29 percent; and publications, 21 percent.

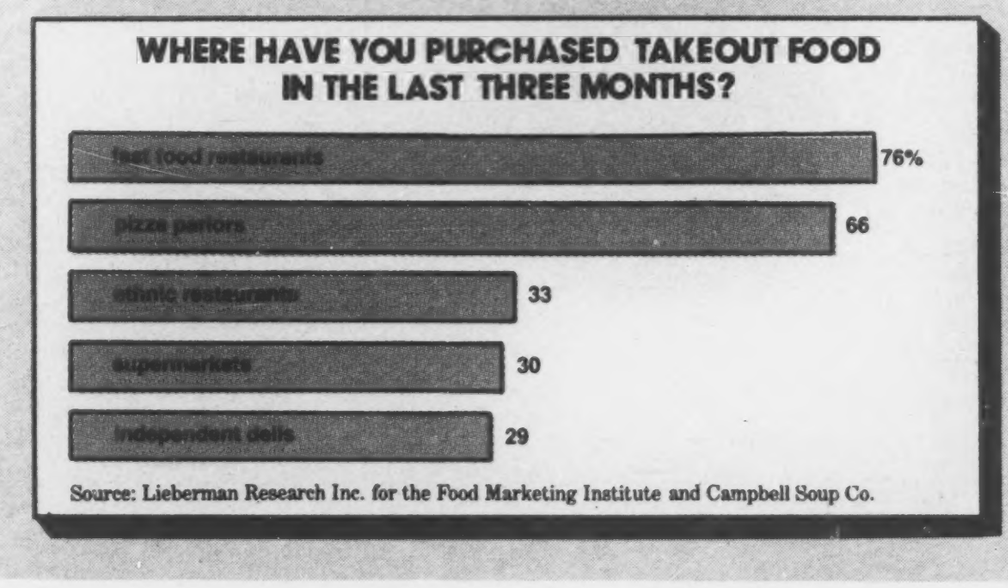
FMI says buyers prefer restaurant fast-food

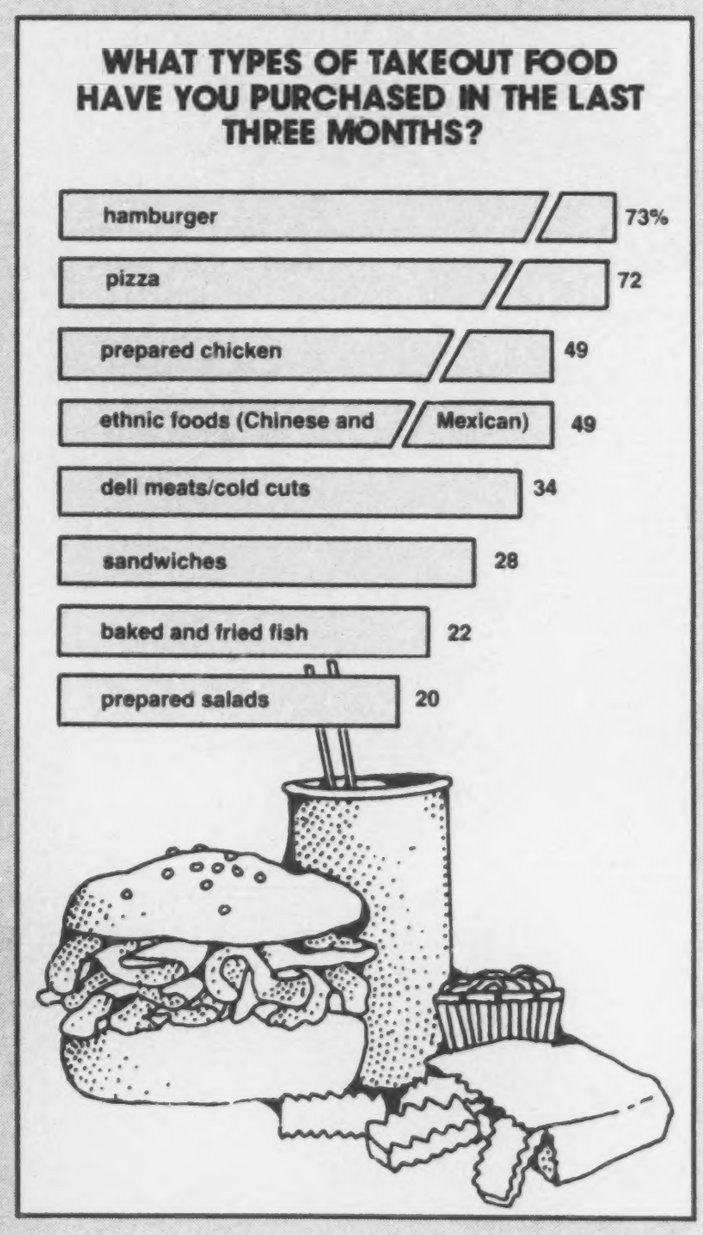
Although a sizable portion of consumers buy take-out food in supermarkets and neighborhood delis, most purchase such foods in fast-food restaurants.

According to research for the Food Marketing Institute, some 76 percent of take-out food is carried away from fast-food units, compared with 30 percent from supermarkets and 29 percent from independent delis.

Pizza parlors garnered the second biggest number of take-out customers, 66 percent, followed by ethnic restaurants, with 33 percent.

By an overwhelming margin, the favorite take-out foods are hamburgers and pizza, the study showed. The next best-liked take-out foods are chicken and ethnic foods, such as Chinese and Mexican. Only 20 percent in the survey said they favored salads, the least-preferred take-out selection.





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Operators beware: New FICA tax bites

More political coverage

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By Joe Edwards

Jimmy Schmidt of the Rattlesnake Club in Denver saw it coming and added a mandatory service charge. Bob Driscoll of Palio in New York budgeted $30,000 for the year to pay for it. Kathy Murphy of the Massachusetts Restaurant Association expected her phone to ring off the hook about it, but that didn't happen. Some restaurant owners don't even know about it. But they will.

"It" is a brand-new law that requires restaurateurs to pay Social Security (FICA) taxes on all reported tips, and it has a lot of independent restaurateurs worried about additional payroll costs and liability.

Mike O'Neal, whose Ginger Man Restaurant Group operates four restaurants in New York, figures the new law will cost him a little more than one-half of 1 percent of total gross sales.

"It's really creating a problem," he said. "That comes right off the bottom line." O'Neal, like other restaurateurs, is looking at menu price

*(See **FICA**, page 94)*

FDA bans on-premises *sous vide*

Cites health violations, OKs commercial usage

By Paul Frumkin

WASHINGTON — In a move that could check a potentially lucrative new business for operators, the Food and Drug Administration has declared that on-premises pouch cooking in restaurants violates existing health codes.

Restaurateurs, however, may continue to purchase and serve commercially prepared pouch-cooked products, the FDA said.

In a letter to the National Restaurant Association, the agency said that in-house pouch cooking violates a code originally implemented to prevent the retailing of "home-canned" products in restaurants.

The pouch-cooking process—known in France as *sous vide*—entails packing food items into plastic bags and then vacuum-sealing them. The food can be held under refrigeration for up to 21 days and then reheated rapidly in hot water at service.

The FDA maintains that insufficient safeguards during the processing and storage of such products "in a restaurant setting" could lead to instances of food poisoning.

The NRA does not plan to fight the agency on the ruling at this point, said Bob Harrington, the NRA's assistant director for

*(See **FDA**, page 98)*

NRN Photo

From left: John J. Scanlan, ARA special projects vp, and Paul Cerullo, ARA director of operations.

Troubleshooters target Olympic-sized problems

By Alan Liddle

CALGARY, Canada — Whenever 1,800 of the world's best athletes, 6,000 media members, 10,000 volunteers, 7,000 sponsors and VIPs, and 1.6 million spectators get together, feeding them all is bound to present some logistical nightmares.

Throw in the intense security and narrowly defined list of approved suppliers associated with the Olympic Games, and a good night's sleep becomes an even rarer commodity for food-service managers.

Successfully fielding last-minute problems takes a keen mind, experience, a little bravura, or a combination of all three.

When it was discovered that Olympic organizers

*(See **OLYMPIC**, page 98)*

FOOD WATCH

The 'thrilla' in vanilla

Vanilla is not just for dessert anymore.

Although the undisputed flavor-of-choice for ice cream, cakes, and cookies, vanilla has never been able to break out of the dessert section of the menu—until now, that is.

Chefs across the country are using vanilla to enhance everything from soup to salad to main courses. A gazpacho flavored with vanilla—called cold vanilla soup—is served at Windows on the Green in Fort Lauderdale, Fla. At L'Eagles Bar and Grill in New Orleans, chef James Braddock combines vanilla with two mustards, honey, and teriyaki sauce, which he serves with grilled salmon fillets.

Claude Guermont, chef-owner of Le Pavillon in Poughkeepsie, N.Y., prepares a sauce for chicken breasts by first steeping vanilla beans in white wine—and later mixing the concoction with crème fraîche, chicken stock, and shallots.

Pecan-breaded oysters in a fresh vanilla cream with cucumber and tomato are a permanent menu item at David Jarvis' Melange in Wilmette, Ill., and a salad of apples, celery, and radicchio marinated in a vanilla-ginger dressing is offered by chef Bernhard Ponczek at the Fairmont hotel in San Jose, Calif.

—Paul Frumkin

Soliman to merge Del Taco, Naugles

By Richard Martin

NEWPORT BEACH, Calif. — After quickly regrouping from a failed takeover bid for New York's Restaurant Associates, multiunit mogul Anwar Soliman has challenged fast-Mexican-food segment leader Taco Bell through his deal to buy and merge the Del Taco and Naugles chains.

Del Taco Inc., the closely held, 203-unit operator based in Costa Mesa, Calif., and 171-unit Naugles, a wholly owned subsidiary of Collins Foods International of Los Angeles, agreed to Soliman's hastily arranged buyout offers, estimated to total about $125 million in cash.

The merger of the two taco-and-burger chains, expected to close by late February, would be executed by the newly formed AWR II Acquisition Corp., which Soliman controls.

Officials of Taco Bell, eager to lure quick-service patrons away from the large hamburger chains, said they welcome the heightened consumer awareness of Mexican food that would be stimulated by Soliman's strategy of consolidated marketing.

"It could be very good for Taco Bell," said John Martin, president of the Pepsico subsidiary. Soliman, chairman of Newport Beach, R.I.-based American Restaurant Group and former W.R. Grace restaurants chieftain, said he would unify

*(See **SOLIMAN**, page 98)*

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